

Liberty Mutual Group Reports Third Quarter 2008 Results

BOSTON, Mass., November 10th, 2008 – Liberty Mutual Group (“LMG” or the “Company”) today reported net income of \$6 million and \$666 million for the three and nine months ended September 30, 2008, respectively, compared to \$404 million and \$1.093 billion in the same periods in 2007.

“Given the circumstances, we are pleased with our results in the third quarter,” said Edmund F. Kelly, Chairman, President and CEO, Liberty Mutual Group. “We absorbed over \$800 million of pre-tax natural catastrophe losses and approximately \$250 million of pre-tax investment losses and still reported positive, albeit slightly, results in the quarter. The fundamental strength of our business has never been more apparent.”

Third Quarter Highlights

- Revenues for the three months ended September 30, 2008 were \$6.871 billion, an increase of \$282 million or 4.3% over the same period in 2007.
- Net written premium for the three months ended September 30, 2008 was \$6.546 billion, an increase of \$751 million or 13.0% over the same period in 2007.
- Pre-tax operating income for the three months ended September 30, 2008 was \$159 million, a decrease of \$363 million or 69.5% from the same period in 2007. Results in the period include \$697 million of losses related to hurricanes Ike and Gustav (“September 2008 Hurricanes”).
- Net income for the three months ended September 30, 2008 was \$6 million, a decrease of \$398 million or 98.5% from the same period in 2007. Results in the period include after-tax realized investment losses of \$162 million.
- Cash flow from operations for the three months ended September 30, 2008 was \$880 million, a decrease of \$251 million or 22.2% from the same period in 2007.
- The combined ratio before catastrophes¹ and net incurred losses attributable to prior years² for the three months ended September 30, 2008 was 94.9%, a decrease of 3.8 points over the same period in 2007. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company’s combined ratio for the three months ended September 30, 2008 increased 4.4 points to 103.4%.

Year-to-Date Highlights

- Revenues for the nine months ended September 30, 2008 were \$20.704 billion, an increase of \$1.677 billion or 8.8% over the same period in 2007.
- Net written premium for the nine months ended September 30, 2008 was \$19.081 billion, an increase of \$2.122 billion or 12.5% over the same period in 2007.
- Pre-tax operating income for the nine months ended September 30, 2008 was \$1.058 billion, a decrease of \$337 million or 24.2% from the same period in 2007. Results in the period include \$697 million of losses related to the September 2008 Hurricanes.

¹ Catastrophes include all current and prior year catastrophe losses related to the Company’s insurance lines including assessments of the Texas Windstorm Insurance Association (“TWIA”) and exclude losses related to the Company’s external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd’s Syndicate 4472) except for losses related to the events of September 11, 2001, the 2004 U.S. hurricanes, the 2005 U.S. hurricanes and the September 2008 hurricanes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

² Net incurred losses attributable to prior years is defined as incurred losses attributable to prior years (excluding prior year losses related to natural catastrophes and the events of September 11, 2001) including both earned premium attributable to prior years and amortization of retroactive reinsurance gains.

- Net income for the nine months ended September 30, 2008 was \$666 million, a decrease of \$427 million or 39.1% from the same period in 2007. Results in the period include after-tax realized investment losses of \$166 million.
- Cash flow from operations for the nine months ended September 30, 2008 was \$2.572 billion, a decrease of \$355 million or 12.1% from the same period in 2007.
- The combined ratio before catastrophes and net incurred losses attributable to prior years for the nine months ended September 30, 2008 was 97.3%, a decrease of 0.8 points over the same period in 2007. Including the impact of catastrophes and net incurred losses attributable to prior years, the Company's combined ratio for the nine months ended September 30, 2008 increased 1.9 points to 102.0%.

Financial Condition as of September 30, 2008

- Total assets were \$105.517 billion as of September 30, 2008, an increase of \$10.775 billion over December 31, 2007.
- Policyholders' equity was \$10.808 billion as of September 30, 2008, a decrease of \$1.558 billion from December 31, 2007. Included in policyholders' equity was \$2.013 billion of after-tax unrealized investment losses.

Other 2008 3rd Quarter Highlights

Acquisitions and New Markets

- On September 22, 2008, the Company, through its subsidiaries, acquired all outstanding shares of common stock of Safeco Corporation ("Safeco"), for \$68.25 per share in cash, at an aggregate purchase price of approximately \$6.2 billion. The results of the operations of Safeco are included in the Company's financial statements subsequent to September 22, 2008. Following the acquisition, Safeco became part of the Company's Agency Markets SBU.

Rating Actions

- On September 23, 2008, Moody's Investors Service affirmed the debt and insurance financial strength ratings of Liberty Mutual Group Inc. ("LMGI") and its subsidiaries following LMGI's announcement that it completed the acquisition of Safeco. The outlook for all of LMG's long-term ratings remains negative.
- On September 25, 2008, Standard & Poor's Rating Service removed from CreditWatch and lowered its counterparty credit and financial strength ratings of the insurance companies that constitute LMGI to 'A-' from 'A' following the close of the Safeco acquisition on September 22, 2008. The outlook on all these companies is stable.

Credit Facilities

- On September 2, 2008, Liberty Mutual Insurance Company ("LMIC") entered into a \$750 million, 364 day committed repurchase agreement facility for general corporate purposes. To date, no funds have been borrowed under the facility.

Consolidated Results of Operations for the Three and Nine Months Ended September 30, 2008:

\$ in Millions	Three Months Ended September 30,			Nine Months Ended September 30,		
	2008	2007	Change	2008	2007	Change
Revenues	\$6,871	\$6,589	4.3%	\$20,704	\$19,027	8.8%
PTOI before catastrophes and net incurred losses attributable to prior years	\$671	\$543	23.6	\$1,886	\$1,695	11.3
Catastrophes ¹						
-September 2008 Hurricanes	(697)	-	NM	(697)	-	NM
-All other	(111)	(60)	85.0	(590)	(241)	144.8
Net incurred losses attributable to prior years:						
- Asbestos & environmental ²	(1)	(95)	(98.9)	(5)	(96)	(94.8)
- All other ³	297	134	121.6	464	37	NM
Pre-tax operating income	159	522	(69.5)	1,058	1,395	(24.2)
Realized investment (losses) gains, net	(249)	19	NM	(256)	144	NM
Federal and foreign income tax benefit (expense)	96	(137)	NM	(136)	(446)	(69.5)
Net income	\$6	\$404	(98.5%)	\$666	\$1,093	(39.1%)
Cash flow from operations	\$880	\$1,131	(22.2%)	\$2,572	\$2,927	(12.1%)

1 Catastrophes include all current and prior year catastrophe losses related to the Company's insurance lines including assessments from TWIA and exclude losses related to the Company's external reinsurance assumed lines (assumed voluntary reinsurance and reinsurance assumed through Lloyd's Syndicate 4472) except for losses related to the events of September 11, 2001, the 2004 U.S. hurricanes, the 2005 U.S. hurricanes and the September 2008 Hurricanes. Catastrophe losses, where applicable, include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums.

2 Net of allowance for uncollectible reinsurance of zero and \$7 million for the three and nine months ended September 30, 2008, and zero and \$3 million for the comparable periods of 2007.

3 Net of earned premium attributable to prior years of \$14 million and \$11 million for the three and nine months ended September 30, 2008, and \$4 million and \$39 million for the comparable periods of 2007. Net of amortization of deferred gains on retroactive reinsurance of \$17 million and \$53 million for the three and nine months ended September 30, 2008, and \$21 and \$69 million for the comparable periods of 2007.

NM = Not Meaningful

Financial Information: Liberty Mutual Group's financial results, management's discussion and analysis of operating results and financial condition, accompanying financial statements and other supplemental financial information for the three and nine months ended September 30, 2008 are available on the Company's Investor Relations web site at www.libertymutual.com/investors.

Conference Call Information: At 10:00 a.m. EST today, Edmund F. Kelly, Liberty Mutual Group Chairman, President and CEO, will host a conference call to discuss the Company's financial results. To listen to the call and participate in the Q&A, please dial 800-857-2190 fifteen minutes before the starting time, providing the pass code "Liberty" when prompted. A replay will be available until November 17, 2008 at 866-460-9739.

About Liberty Mutual Group

Boston-based Liberty Mutual Holding Company Inc., the parent corporation of the Liberty Mutual Group of entities, is a diversified global insurer and sixth largest property and casualty insurer in the U.S. based on 2007 direct written premium. The Company also ranks 94th on the Fortune 500 list of largest corporations in the United States based on 2007 revenue. As of December 31, 2007, LMG had \$94.742 billion in consolidated assets, \$82.376 billion in consolidated liabilities, and \$25.961 billion in annual consolidated revenue.

LMG, through its subsidiaries and affiliated companies, offers a wide range of property-casualty insurance products and services to individuals and businesses alike. In 2001 and 2002, the Company formed a mutual holding company structure, whereby the three principal mutual insurance companies, LMIC, LMFIC and EICOW, each became separate stock insurance companies under the ownership of Liberty Mutual Holding Company Inc.

Functionally, the Company conducts its business through four SBUs: Personal Markets, Commercial Markets, Agency Markets and International. Each business unit operates independently of the others and has dedicated sales, underwriting, claims, actuarial, financial and certain information technology resources. Management believes this structure allows each business unit to execute its business strategy and/or to make acquisitions without impacting or disrupting the operations of the Company's other business units.

As of September 30, 2008, LMG employs more than 45,000 people in more than 900 offices throughout the world. For a full description of the Company's business operations, products and distribution channels, please visit Liberty Mutual's Investor Relations web site at www.libertymutual.com/investors.

Forward Looking Statements

This press release contains forward-looking statements concerning the Company's future financial and business performance. These statements the Company's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should," "believes," "anticipates," "estimates," "intends" or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different.

In particular, the sufficiency of the Company's reserves for (i) asbestos, (ii) environmental ((i) and (ii) together "A&E"), and (iii) toxic tort (i.e., claims that arise primarily from exposure to chemical or other potentially hazardous products or substances, including welding rod, lead paint and silica related claims), as well as its results of operations, financial condition and liquidity, to the extent impacted by the sufficiency of the Company's A&E and toxic tort reserves, are subject to a number of potential adverse developments including adverse developments involving A&E and toxic tort claims and the related level and outcome of litigation, the willingness of parties, including the Company, to settle disputes, the interpretation of aggregate policy coverage limits, the Company's ability to recover reinsurance for A&E, toxic tort and other claims, the legal, economic, regulatory, and legislative environments, and their impact

on the future development of A&E and toxic tort claims, and the impact of bankruptcies of various asbestos producers and related peripheral businesses.

Some of the other factors that could cause actual results to differ include, but are not limited to, the following: the Company's inability to obtain price increases or maintain market share due to competition or otherwise; the performance of the Company's investment portfolio, which could suffer reduced returns or losses adversely affecting the Company's profitability, capitalization and liquidity; market conditions that may limit the Company's ability to replace maturing liabilities in a timely manner or that may make it difficult to value the Company's investments; developments in U.S. and global financial and capital markets, including changes in interest rates, rates of inflation, credit spreads, equity prices and foreign exchange rates; losses due to defaults of individual issuers and defaults of the collateral backing certain investments; weakening U.S. and global economic conditions, which could adversely affect the Company's ability to grow its business profitably; the potential effect of legislation and other governmental initiatives taken in response to the current financial crisis; insufficiency of, or changes in, loss reserves; the occurrence of catastrophic events, both natural and man-made, including terrorist acts, with a severity or frequency exceeding the Company's expectations; adverse changes in loss cost trends, including inflationary pressures in medical costs and automobile and home repair costs; developments relating to coverage and liability for mold claims; the effects of corporate bankruptcies on surety bond claims; adverse developments in the cost, availability and/or ability to collect reinsurance, which may be adversely affected by the current financial crisis; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions, including the acquisition of Ohio Casualty Corporation and its subsidiaries, and the recent acquisition of Safeco Corporation and its subsidiaries, in accordance with its business strategy; the ability of the Company's subsidiaries to pay dividends to the Company; adverse results or other consequences from legal proceedings; the impact of regulatory investigations or reforms, including governmental actions regarding the compensation of brokers and agents and the purchase and sale of nontraditional products and related disclosures; unusual loss activity resulting from adverse weather conditions, including storms, hurricanes, hail, snowfall and winter conditions; repatriation of foreign earnings; judicial expansion of policy coverage and the impact of new theories of liability; the impact of legislative actions, including Federal and state legislation related to asbestos liability reform; larger than expected assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings, which could adversely affect its business volumes, adversely affect its ability to access the debt markets and increase its borrowing costs; the loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of Personal Lines policies; and amendments and changes to the risk-based capital requirements. The Company's forward-looking statements speak only as of the date of this release or as of the date they are made and should be regarded solely as the Company's current estimates and beliefs. The Company undertakes no obligation to update these forward-looking statements. For a further discussion of these and other risks and uncertainties, see the Company's website at www.libertymutual.com/investors.

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